

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF WEBSTER CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

**CITY OF WEBSTER CITY, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
 FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 11
 GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13 – 14
 FUND FINANCIAL STATEMENTS	
 Governmental Funds Financial Statements	
Balance Sheet	15 – 16
Reconciliation of the Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18 – 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20
 Proprietary Funds Financial Statements	
Combining Statement of Net Assets	21
Combining Statement of Revenues, Expenses and Changes in Net Assets	22 – 23
Combining Statement of Cash Flows	24 – 27
 Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets.....	28
Statement of Changes in Net Assets	29
Notes to Financial Statements	30 – 50
 Required Supplementary Information	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds	51 – 52
Budget to GAAP Reconciliation.....	53
Notes to Required Supplementary Information.....	54

CITY OF WEBSTER CITY, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

FINANCIAL SECTION – (CONTINUED)

	Page
Other Supplementary Information	
Governmental Non-Major Funds Combining Financial Statements	
Balance Sheet	55 – 62
Statement of Revenues, Expenditures and Changes in Fund Balances	63 – 70
Fiduciary Funds Financial Statements	
Statement of Net Assets	71
Statement of Changes in Assets and Liabilities	72
Supplementary Information	
Schedule of Expenditures of Federal Awards	73
Schedule of Findings and Questioned Costs	74 – 76
Summary Schedule of Prior Year Findings	77
Independent Auditors' Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78 – 79
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	80 – 81
Corrective Action Plan	82

* * * * *



21 1st Avenue NW
P.O. Box 1010
Webster City, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Webster City, Iowa, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of the City of Webster City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required

parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2009

CITY OF WEBSTER CITY
Management Discussion and Analysis
For the year ending June 30, 2009

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2009. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

Financial Highlights

- An asset management plan was completed for both the water and wastewater plants.
- We issued a GO Refunding Bond in March 2009, to refinance several GO Bonds and save money on the interest paid over the life of the bond.
- Asphalt resurfacing and street repairs continue throughout the City due to the local option sales tax money that was designated for infrastructure projects.
- The City was able to provide a balanced budget without increasing the property tax levy.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Webster City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-type activities of the City of Webster City include the operation of electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 39 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, child care center, second street reconstruction fund and debt service fund, of which all are considered to be major funds. Data from the other 35 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual combined budget for all of its funds except private purpose trust funds and internal service funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Proprietary Funds: The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting device used to accumulate and

allocate costs internally among the City of Webster City's various functions. The City of Webster City uses an internal service fund to account for self-insured dental/vision insurance. The internal service fund will be found in the governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The largest portion of the City of Webster City's net assets (69.1%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Assets

	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	6/30/08
Current and other assets	\$ 8,713,367	\$ 8,889,694	\$ 13,771,851	\$ 13,314,114	\$ 22,485,218	\$ 22,203,808	\$ 2,636,436	\$ 2,773,791
Capital Assets, net of depreciation	26,001,000	24,980,578	20,798,656	21,233,315	46,799,656	46,231,893	34,020	34,860
Total Assets	34,714,367	33,870,272	34,570,507	34,547,429	69,284,874	68,417,701	2,670,456	2,808,651
Current and other liabilities	4,009,827	4,390,735	1,727,678	1,767,250	5,737,505	6,157,985	9,649	8,417
Non-current liabilities	5,764,160	6,311,081	3,839,331	4,684,894	9,603,491	10,995,975	-	-
Total Liabilities	9,773,987	10,701,816	5,567,009	6,452,144	15,340,996	17,153,960	9,649	8,417
Net Assets:								
Invested in capital assets, net of related debt	20,504,083	19,016,387	16,777,801	16,794,810	37,281,884	35,811,197	34,020	34,860
Restricted	2,955,753	2,702,357	362,974	437,693	3,318,727	3,140,050	2,594,861	2,724,980
Unrestricted	1,480,544	1,449,712	11,862,723	10,862,782	13,343,267	12,312,494	31,926	40,394
Total net assets	\$ 24,940,380	\$ 23,168,456	\$ 29,003,498	\$ 28,095,285	\$ 53,943,878	\$ 51,263,741	\$ 2,660,807	\$ 2,800,234

An additional portion of the City of Webster City's net assets (6.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net assets (\$13,343,267) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities.

The government's net assets increased by \$2,622,775 during the fiscal year. Net assets in the governmental activities increased by \$1,714,562. The key element in the governmental activity increase is a result of the conservative budgeting and the close monitoring of the expenditures to ensure that the city maintain a strong financial position. Net assets in the business type activities increased by \$908,213.

Governmental Activities. Governmental activities increased the City of Webster City's net assets by \$1,714,562, thereby accounting for 65.4% of the total addition in the net assets of the City of Webster City. Key elements of this increase were as follows:

	City of Webster City's Changes in Net Assets				Total		Component Units	
	Governmental Activities	Business Type Activities						
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Revenues								
Program Revenues:								
Charges for Services	\$ 907,980	\$ 975,015	\$15,545,475	\$15,704,423	\$16,453,455	\$16,679,438	\$ 627,240	\$ 544,205
Operating Grants & Contributions	767,061	790,375	-	-	767,061	790,375	240,978	92,290
Capital Grants & Contributions	341,334	921,112	-	-	341,334	921,112	-	118,400
General Revenues:								
Property Taxes	3,866,485	3,776,250	-	-	3,866,485	3,776,250	-	-
Other Taxes	776,557	650,898	-	-	776,557	650,898	-	-
Other	326,054	260,512	189,800	454,927	515,854	715,439	(467,069)	316
Total Revenues	6,985,471	7,374,162	15,735,275	16,159,350	22,720,746	23,533,512	401,789	755,211
Expenses:								
Public Safety	1,789,413	1,810,121	-	-	1,789,413	1,810,121	-	-
Public Works	1,740,852	1,709,019	-	-	1,740,852	1,709,019	-	-
Health & Social Services	33,470	32,012	-	-	33,470	32,012	-	-
Culture & Recreation	1,352,019	1,254,414	-	-	1,352,019	1,254,414	-	-
Community & Economic Development	562,705	499,165	-	-	562,705	499,165	-	-
General Government	231,170	240,976	-	-	231,170	240,976	-	-
Interest & Fiscal Charges	279,214	306,352	-	-	279,214	306,352	-	-
Water Utility	-	-	1,335,517	1,392,342	1,335,517	1,392,342	-	-
Sewer Utility	-	-	1,360,234	1,324,230	1,360,234	1,324,230	-	-
Electric Utility	-	-	11,413,377	12,067,460	11,413,377	12,067,460	-	-
Component Units	-	-	-	-	-	-	541,216	888,190
Total Expenses	5,988,843	5,852,059	14,109,128	14,784,032	20,097,971	20,636,091	541,216	888,190
Increase in Net Assets	996,628	1,522,103	1,626,147	1,375,318	2,622,775	2,897,421	(139,427)	(132,979)
Transfers	717,934	667,322	(717,934)	(667,322)	-	-	-	-
Increase in Net Assets Before Transfers	1,714,562	2,189,425	908,213	707,996	2,622,775	2,897,421	(139,427)	(132,979)
Net Assets - Beginning (Restated)	23,225,818	20,979,031	28,095,285	27,387,289	51,321,103	48,366,320	2,800,234	2,933,213
Ending Net Assets	\$24,940,380	\$23,168,456	\$29,003,498	\$28,095,285	\$53,943,878	\$51,263,741	\$2,660,807	\$2,800,234

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
 - Purchase of equipment such as the police car and the dump truck for the street department that were purchased this year.
 - Purchase of GIS software
 - The completion of the 2008 Resurfacing Project

The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,866,485 in property tax receipts, \$776,557 in other taxes, and \$1,108,395 in capital and operating grants and contributions.

Business-type Activities. The net assets of the business-type activities of the City of Webster City increased by \$908,213. Key elements of this increase are as follows:

- Expenses decreased approximately \$675,000, while revenues remained constant.

The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. We reached that goal with two utilities, with the sewer utility showing a slight decrease for the year.

The electric utility is the main function of the City of Webster City Business-type Activities making up 80% of the total receipts. Electric rates were changed effective January 2009 as part of a three-year plan that was implemented after the last electric rate study. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close. At the close of the fiscal year, the City is working on rate increases in both the water and wastewater utility in order to fund necessary improvements and operational expenses. Rates are monitored in each of these utilities on an on-going basis to maintain their financial stability.

Financial Analysis of the Government's Funds

As noted earlier, the City of Webster City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$3,398,665; with the prior year being \$3,219,600, the increase for this year was \$179,065. \$698,227 of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service, 2) for trust related activities including perpetual care of the municipal cemetery, 3) to liquidate contracts and purchase orders of the prior period, or 4) for a variety of other restricted purposes.

Revenues from the City's governmental funds totaled \$6,974,779 with taxes accounting for \$3,854,490 of that amount. Intergovernmental activities, including state and federal grants, represented another \$1,884,952 of the total governmental revenues.

Total expenditures for the governmental funds were \$8,843,648. The six main activities that make up these expenditures are public works (\$1,322,010), public safety (\$1,764,849), culture and recreation (\$1,130,454), community and economic development (\$562,704), capital projects (\$1,652,464) and debt service (\$2,184,662).

The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,660,250 while the total fund balance reached \$1,718,928. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. Unreserved fund balance represents 49.0% of the total general fund expenditures, while the total fund balance represents 50.7% of that same number.

The fund balance of the City of Webster City's general fund increased by \$250,895 during the current fiscal year.

The Child Care Center fund had a fund deficit of (\$589,017). The net increase in the fund balance during the current fiscal year was \$35,000 which was due to the receipt of the annual payments on the notes receivable.

The Second Street Reconstruction fund continued to have a deficit fund balance at the end of the fiscal year of (\$1,196,578) the increase in the fund was \$227,518, which lowered the amount of deficit. This

deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

Proprietary Funds. The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the electric utility amounted to \$16,305,196, the water utility totaled \$8,026,091, and the sewer utility totaled \$4,672,211. The total change in net assets for these three funds was \$349,635, (\$40,073), and \$598,651 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

Governmental and Proprietary Funds Budgetary Highlights

The City adopted one budget amendment during the year increasing expenditures by \$210,976.

Capital Asset and Debt Administration

Capital Assets. The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$46,799,656 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure. The total increase in the City of Webster City's investment in capital assets for the current fiscal year was 1.3%.

Major capital assets events during the current fiscal year included the following:

- The 2008 Resurfacing Project was completed on City streets.
- The recreational trail connecting the city trail with the county trail was completed.
- The 2008 Water System Improvement Project was completed.
- Work continued on the sidewalk improvement project with plans to proceed to additional areas of town and continue the project in the future years.

	City of Webster City's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business Type Activities		Total		Component Units	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Land	\$ 4,563,364	\$ 4,563,364	\$ 786,184	\$ 786,184	\$ 5,349,548	\$ 5,349,548	\$ -	\$ -
Structures & Improvements	4,213,078	4,326,358	725,064	767,130	4,938,142	5,093,488	34,020	34,860
Improvements Other Than Structures	15,665,465	13,236,195	18,268,042	18,280,244	33,933,507	31,516,439	-	-
Machinery & Equipment	1,469,149	1,488,813	838,121	700,949	2,307,270	2,189,762	-	-
Construction in Progress	89,944	1,423,210	181,245	698,808	271,189	2,122,018	-	-
Total	\$ 26,001,000	\$ 25,037,940	\$ 20,798,656	\$ 21,233,315	\$ 46,799,656	\$ 46,271,255	\$ 34,020	\$ 34,860

Long-term debt. At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$9,543,917, not including Tax Increment Financing. Of this amount, \$3,675,000 comprises debt backed by the full faith and credit of the government, also not including Tax Increment Financing. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding debt includes an estimated liability for compensated absences. The total estimate for compensated absences is \$447,719 with \$267,243 being for governmental activities and \$180,476 being for business-type activities.

	General Obligation and Revenue Bonds				Total	
	Governmental Activities 6/30/09	Governmental Activities 6/30/08	Business-type Activities 6/30/09	Business-type Activities 6/30/08	6/30/09	6/30/08
General Obligation Bonds	\$ 3,310,000	\$ 3,830,000	\$ 365,000	\$ 415,000	\$ 3,675,000	\$ 4,245,000
Revenue Bonds	2,186,917	2,216,411	3,682,000	4,090,511	5,868,917	6,306,922
Total	\$ 5,496,917	\$ 6,046,411	\$ 4,047,000	\$ 4,505,511	\$ 9,543,917	\$ 10,551,922

The City of Webster City's total long-term liabilities decreased by \$1,035,828 (including notes payable and compensated absences) during the fiscal year.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$17,187,139. With the General Obligation Debt being \$3,675,000 and the Tax Increment Debt being \$2,186,917, the City of Webster City is at 34.11% of the debt limit.

Economic Factors and Next Year's Budgets and Rates

- The rollback will increase for residential property. There will be no change to commercial rollback, and agricultural rollback will decrease. Residential rollback will go from 45.5893 % of the assessed value to 46.9094%, commercial will remain at 100%, and agricultural property will go from 93.8568% to 66.2715%. Depending on valuations and the levy asking this could impact the property tax dollars received.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will increase from 17.00% to 19.90% in the next fiscal year.
- City contribution rates for Iowa Public Employees Retirement System of Iowa will increase from 6.65% to 6.95% in the regular class and from 9.20% to 9.45% in the protection class in the next fiscal year.
- Electric, water, and sewer rates were each increased during fiscal year 2008/2009. They will be reviewed each fiscal year with adjustments to be made as needed. Water and sewer rate increases were necessary, in large part, to fund the long-term capital improvement plans for both the water and wastewater plants, which are in need of improvements. All rate increases are necessary to maintain the financial stability of the three municipal utilities.
- The local option sales tax money will be used by the city for infrastructure improvements. This tax has an expiration date of June 30, 2012.
- Webster City has a strong industrial base. As a result, the current economic situation has created hardships for the citizens of our community. Layoffs and slow production in manufacturing has created a difficult economic environment. A recent announcement that Electrolux will cease production at the Webster City plant in 2011, will provide additional financial challenges for our community, as they are a major employer and this is a major economic loss. In 2009, Webster City was named an Enterprise Zone, which we hope will stimulate economic growth and create jobs in our community. We continue to work towards this goal.
- A new hotel/motel tax continues to provide funding for special projects within the City. These funds are available for a variety of projects, with requests made to the Hotel/Motel Tax Board.

These factors, if known, were considered in doing the City of Webster City 2010/2011 Budget. If they were not known, then they will be considered with the City of Webster City 2010/2011 Amended Budget.

Request for Information

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Director, 400 Second Street, PO Box 217, Webster City, IA 50595.

CITY OF WEBSTER CITY, IOWA
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Webster City Airport Commission	Fuller Trust
ASSETS					
Cash and Cash Equivalents	\$ 3,459,591	\$ 3,683,772	\$ 7,143,363	\$ -	\$ 228,430
Investments	2,002,000	4,860,000	6,862,000	-	2,366,231
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	82,833	1,592,928	1,675,761	1,035	200
Taxes	40,238	-	40,238	-	-
Subsequent Year Taxes	3,677,307	-	3,677,307	-	-
Accrued Interest	6,245	15,033	21,278	-	-
Notes Receivable	833,152	-	833,152	-	-
Internal Balances	(2,175,447)	2,175,447	-	-	-
Due from Other Governmental Agencies	238,578	2,260	240,838	40,540	-
Inventories	95,583	934,662	1,030,245	-	-
Prepaid Assets	125,216	78,022	203,238	-	-
Land Held for Resale	221,699	-	221,699	-	-
Restricted Assets:					
Investments	-	375,000	375,000	-	-
Bond Issue Costs	106,372	54,727	161,099	-	-
Land	4,563,364	786,184	5,349,548	-	-
Construction in Progress	89,944	181,245	271,189	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	21,347,692	19,831,227	41,178,919	-	34,020
Total Assets	34,714,367	34,570,507	69,284,874	41,575	2,628,881
LIABILITIES					
Accounts Payable	228,739	1,155,752	1,384,491	7,878	-
Accrued Wages	68,570	44,622	113,192	-	-
Other Accrued Expenses	10,998	7,338	18,336	-	-
Customer Deposits	-	140,901	140,901	-	-
Due to Other Governments	-	-	-	1,771	-
Claims Incurred But Not Reported	2,966	-	2,966	-	-
Deferred Revenue - Subsequent Year Taxes	3,677,307	-	3,677,307	-	-
Accrued Interest Payable	10,741	836	11,577	-	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	12,026	12,026	-	-
Revenue Bonds - Current	-	362,000	362,000	-	-
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	605,000	55,000	660,000	-	-
Compensated Absences and Benefits	128,871	91,328	220,199	-	-
Due in more than one year:					
Revenue Bonds Payable	2,186,917	3,320,000	5,506,917	-	-
Unamortized Loss on Refunding	-	(26,145)	(26,145)	-	-
General Obligation Bonds	2,705,000	310,000	3,015,000	-	-
Other Post Employment Benefits	10,506	4,203	14,709	-	-
Compensated Absences and Benefits	138,372	89,148	227,520	-	-
Total Liabilities	9,773,987	5,567,009	15,340,996	9,649	-
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	20,504,083	16,777,801	37,281,884	-	34,020
Restricted for:					
Debt Service	199,509	362,974	562,483	-	-
Specific Revenues	2,361,029	-	2,361,029	-	-
Endowments:					
Expendable	-	-	-	-	2,594,861
Nonexpendable	395,215	-	395,215	-	-
Unrestricted	1,480,544	11,862,723	13,343,267	31,926	-
Total Net Assets	\$ 24,940,380	\$ 29,003,498	\$ 53,943,878	\$ 31,926	\$ 2,628,881

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,789,413	\$ 18,821	\$ 30,180	\$ -
Public Works	1,740,852	464,092	708,539	172,978
Health and Social Services	33,470	-	-	-
Culture and Recreation	1,352,019	370,071	-	168,356
Community and Economic Development	562,705	43,003	-	-
General Government	231,170	11,993	28,342	-
Debt Service	279,214	-	-	-
Total governmental activities	5,988,843	907,980	767,061	341,334
Business-Type Activities:				
Water System	1,335,517	1,721,590	-	-
Sewer System	1,360,234	1,357,038	-	-
Electric System	11,413,377	12,466,847	-	-
Total Business-Type Activities:	14,109,128	15,545,475	-	-
Total Primary Government	\$ 20,097,971	\$ 16,453,455	\$ 767,061	\$ 341,334
Component Unit:				
Webster City Airport Commission	\$ 293,513	\$ 41,467	\$ 240,978	
Fuller Trust	\$ 247,703	\$ 586,413		\$ -

General Revenues:
Property Taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest and Investment Gains and Losses
Refunds/Reimbursements
Gain on Sale of Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net Assets - beginning, as restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Webster City Airport Commission	Fuller Trust
\$ (1,740,412)		\$ (1,740,412)		
(395,243)		(395,243)		
(33,470)		(33,470)		
(813,592)		(813,592)		
(519,702)		(519,702)		
(190,835)		(190,835)		
(279,214)		(279,214)		
<u>(3,972,468)</u>		<u>(3,972,468)</u>		
	\$ 386,073	386,073		
	(3,196)	(3,196)		
	<u>1,053,470</u>	<u>1,053,470</u>		
	<u>1,436,347</u>	<u>1,436,347</u>		
<u>(3,972,468)</u>	<u>1,436,347</u>	<u>(2,536,121)</u>		
			\$ (11,068)	\$ 338,710
3,866,485	-	3,866,485	-	-
675,282	-	675,282	-	-
101,275	-	101,275	-	-
117,161	189,472	306,633	-	(469,669)
131,463	-	131,463	-	-
-	328	328	-	-
77,430	-	77,430	2,600	-
717,934	(717,934)	-	-	-
<u>5,687,030</u>	<u>(528,134)</u>	<u>5,158,896</u>	<u>2,600</u>	<u>(469,669)</u>
1,714,562	908,213	2,622,775	(8,468)	(130,959)
23,168,456	28,095,285	51,263,741	40,394	2,759,840
57,362	-	57,362	-	-
<u>23,225,818</u>	<u>28,095,285</u>	<u>51,321,103</u>	<u>40,394</u>	<u>2,759,840</u>
<u>\$ 24,940,380</u>	<u>\$ 29,003,498</u>	<u>\$ 53,943,878</u>	<u>\$ 31,926</u>	<u>\$ 2,628,881</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
BALANCE SHEET
Governmental Funds
June 30, 2009

	General	Child Care Center	Second Street Reconstruction
Assets			
Cash and Cash Equivalents	\$ 921,393	\$ -	\$ -
Investments	850,000	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	82,833	-	-
Taxes	21,484	-	-
Subsequent Year Taxes	1,779,357	-	-
Accrued Interest	3,992	-	-
Notes Receivable	-	600,775	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	52,728	-	-
Prepaid Assets	5,950	-	-
Total Assets	<u>3,717,737</u>	<u>600,775</u>	<u>-</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	116,113	-	-
Accrued Wages	62,005	-	-
Other Accrued Expenses	10,817	-	-
Due to Other Funds	-	589,017	1,196,578
Deferred Revenue - Subsequent Year Taxes	1,779,357	-	-
Deferred Revenue	30,517	600,775	-
Total Liabilities	<u>1,998,809</u>	<u>1,189,792</u>	<u>1,196,578</u>
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	52,728	-	-
Prepaid Items	5,950	-	-
Unreserved:			
General Fund	1,660,250	-	-
Special Revenue Funds	-	(589,017)	-
Capital Project Funds	-	-	(1,196,578)
Total Fund Balances	<u>1,718,928</u>	<u>(589,017)</u>	<u>(1,196,578)</u>
Total Liabilities and Equity	<u>\$ 3,717,737</u>	<u>\$ 600,775</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,518,686	\$ 3,440,079
450,000	702,000	2,002,000
-	-	82,833
8,771	9,983	40,238
714,302	1,183,648	3,677,307
666	1,587	6,245
-	232,377	833,152
-	452,288	452,288
-	238,578	238,578
-	42,855	95,583
-	-	5,950
1,173,739	5,382,002	10,874,253

-	110,838	226,951
-	6,565	68,570
-	181	10,998
257,917	584,223	2,627,735
714,302	1,183,648	3,677,307
41	232,694	864,027
972,260	2,118,149	7,475,588

201,479	-	201,479
-	395,215	395,215
-	42,855	95,583
-	-	5,950
-	-	1,660,250
-	1,852,733	1,263,716
-	973,050	(223,528)
201,479	3,263,853	3,398,665
\$ 1,173,739	\$ 5,382,002	\$ 10,874,253

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)		\$ 3,398,665
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		26,222,699
Internal service funds are used by management to fund and maintain the City's medical/flex costs provided to user departments and are included in the statement of net assets.		26,193
Assets such as notes receivables and property taxes are not available to pay for current period expenditures and therefore are deferred in the funds.		864,027
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		107,831
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(10,741)
Other Post Employment Benefits not due and payable in the current period and therefore are not reported in the funds		(10,506)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		106,372
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,310,000)	
Revenue Bonds	(2,186,917)	
Compensated Absences	(267,243)	
		(5,764,160)
Total Net Assets - Governmental Activities (page 12)		<u>\$ 24,940,380</u>

CITY OF WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2009

	General	Child Care Center	Second Street Reconstruction
Revenue:			
Taxes	\$ 1,705,248	\$ -	\$ -
Special Assessments	-	-	-
Licenses and Permits	192,681	-	-
Intergovernmental Revenue	159,797	-	-
Charges for Services	466,267	-	-
Fines and Forfeits	8,817	-	-
Contributions	-	-	-
Refunds/Reimbursements	40,000	-	-
Revenue from Use of Property	145,919	-	-
Interest on Investments	61,741	29,758	-
Miscellaneous	37,404	23,242	11
Total Revenue	2,817,874	53,000	11
Expenditures:			
Public Safety	1,345,978	-	-
Public Works	769,569	-	-
Health and Social Services	33,470	-	-
Culture and Recreation	955,598	-	-
Community and Economic Development	120,958	-	-
General Government	163,293	-	-
Capital Projects	-	-	-
Debt Service	-	-	-
Total Expenditures	3,388,866	-	-
Excess (deficiency) of revenues over expenditures	(570,992)	53,000	11
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	-
Payments on Refunded Debt	-	-	-
Transfers In	821,887	-	227,507
Transfers Out	-	(18,000)	-
Total other financing sources (uses)	821,887	(18,000)	227,507
Net Change in Fund Balance	250,895	35,000	227,518
Fund balances - beginning of year	1,468,033	(624,017)	(1,424,096)
Fund balances - end of year	\$ 1,718,928	\$ (589,017)	\$ (1,196,578)

See Accompanying Notes to Financial Statements

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 721,081 • \$	2,276,421	\$ 4,702,750
1,304 •	-	1,304
-	-	192,681
-	876,895	1,036,692
-	-	466,267
-	-	8,817
-	7,533	7,533
131,463 •	-	171,463
-	-	145,919
8,457 •	17,205	117,161
-	63,535	124,192
862,305	3,241,589	6,974,779
-	418,871	1,764,849
-	552,441	1,322,010
-	-	33,470
-	174,856	1,130,454
-	459,173	580,131
-	29,742	193,035
-	1,635,037	1,635,037
854,662 •	-	854,662
854,662	3,270,120	7,513,648
7,643 •	(28,531)	(538,869)
1,330,000 •	-	1,330,000
(1,330,000) •	-	(1,330,000)
-	843,693	1,893,087
-	(1,157,153)	(1,175,153)
-	(313,460)	717,934
7,643	(341,991)	179,065
193,836	3,605,844	3,219,600
\$ 201,479	\$ 3,263,853	\$ 3,398,665

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 179,065
--	------------

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,792,887	
Depreciation expense	<u>(828,275)</u>	964,612

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	(1,550)
--	---------

The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	8,527
--	-------

Governmental funds report economic development notes receivable as revenue when it becomes available, but the statement of activities includes these notes receivable as revenue when originally issued.	10,691
--	--------

Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	1,802
---	-------

Governmental funds do not reflect the change in accrued compensated absences and OPEB obligation as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences and OPEB liability through expenditures.	(13,079)
---	----------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	(9,150)
--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which payments exceeded proceeds in the current year is as follows:		
Proceeds from debt issuance	(1,330,000)	
Repayments of long-term debt	<u>1,879,492</u>	549,492

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	<u>24,152</u>
--	---------------

Change in net assets of governmental activities (page 14)	<u><u>\$ 1,714,562</u></u>
---	----------------------------

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2009

	Business Type Activities				Governmental Activities
	Water System	Sewer System	Electric System	Total	Internal Service
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 730,341	\$ 304,670	\$ 2,648,761	\$ 3,683,772	\$ 19,512
Investments	1,200,000	735,000	2,925,000	4,860,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	133,511	112,189	1,347,228	1,592,928	-
Accrued Interest	1,608	2,962	10,463	15,033	-
Due from Other Funds	-	-	2,175,447	2,175,447	-
Due from Other Governmental Agencies	-	-	2,260	2,260	-
Inventories	84,522	26,788	823,352	934,662	-
Prepaid Assets	20,410	10,819	46,793	78,022	11,435
Restricted Assets:					
Investments	-	375,000	-	375,000	-
Bond Issue Costs	5,457	49,270	-	54,727	-
Total Current Assets	<u>2,175,849</u>	<u>1,616,698</u>	<u>9,979,304</u>	<u>13,771,851</u>	<u>30,947</u>
Non Current Assets					
Land	348,785	64,871	372,528	786,184	-
Construction in Progress	1,138	9,609	170,498	181,245	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,993,460	6,749,170	7,088,597	19,831,227	-
Total Noncurrent Assets	<u>6,343,383</u>	<u>6,823,650</u>	<u>7,631,623</u>	<u>20,798,656</u>	<u>-</u>
Total Assets	<u>8,519,232</u>	<u>8,440,348</u>	<u>17,610,927</u>	<u>34,570,507</u>	<u>30,947</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	63,583	48,109	1,044,060	1,155,752	1,788
Accrued Wages	11,770	10,020	22,832	44,622	-
Other Accrued Expenses	989	876	5,473	7,338	-
Customer Deposits	-	-	140,901	140,901	-
Accrued Interest Payable	836	-	-	836	-
Claims Incurred But Not Reported	-	-	-	-	2,966
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	12,026	-	12,026	-
Revenue Bonds - Current	-	362,000	-	362,000	-
General Obligation Bonds	55,000	-	-	55,000	-
Total Current Liabilities	<u>132,178</u>	<u>433,031</u>	<u>1,213,266</u>	<u>1,778,475</u>	<u>4,754</u>
Noncurrent Liabilities:					
Due within one year:					
Compensated Absences and Benefits	25,263	18,681	47,384	91,328	-
Due in more than one year:					
Revenue Bonds Payable	-	3,320,000	-	3,320,000	-
Unamortized Loss on Refunding	-	(26,145)	-	(26,145)	-
General Obligation Bonds	310,000	-	-	310,000	-
Other Post Employment Benefits	809	860	2,534	4,203	10,506
Compensated Absences and Benefits	24,891	21,710	42,547	89,148	-
Total Noncurrent Liabilities	<u>360,963</u>	<u>3,335,106</u>	<u>92,465</u>	<u>3,788,534</u>	<u>10,506</u>
Total Liabilities	<u>493,141</u>	<u>3,768,137</u>	<u>1,305,731</u>	<u>5,567,009</u>	<u>15,260</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	5,978,383	3,167,795	7,631,623	16,777,801	-
Restricted for:					
Debt Service	-	362,974	-	362,974	-
Unrestricted	2,047,708	1,141,442	8,673,573	11,862,723	15,687
Total Net Assets	<u>\$8,026,091</u>	<u>\$4,672,211</u>	<u>\$16,305,196</u>	<u>\$29,003,498</u>	<u>\$ 15,687</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,720,536	\$ 1,350,533
Miscellaneous	1,054	6,505
Reimbursement from Employees/Insurance	-	-
Total Operating Revenue	<u>1,721,590</u>	<u>1,357,038</u>
Operating Expenses:		
General Government	-	-
Operating and Maintenance	1,076,435	909,730
Depreciation	228,846	281,764
Total Operating Expenses	<u>1,305,281</u>	<u>1,191,494</u>
Operating Income	416,309	165,544
Non-Operating Income (Expense):		
Interest Income	34,847	32,330
Gain (Loss) on Disposition of Property	(261)	(37)
Interest Expense	(30,236)	(168,740)
Total Non-Operating Income (Expenses)	<u>4,350</u>	<u>(136,447)</u>
Income (Loss) before Contributions and Transfers	420,659	29,097
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers In (Out)	(71,024)	(69,170)
Total Other Financing Sources (Uses)	<u>(71,024)</u>	<u>(69,170)</u>
Change in Net Assets	349,635	(40,073)
Net Assets - Beginning	<u>7,676,456</u>	<u>4,712,284</u>
Net Assets - Ending	<u>\$ 8,026,091</u>	<u>\$ 4,672,211</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 12,390,379	\$ 15,461,448	\$ -
76,468	84,027	-
-	-	40,350
12,466,847	15,545,475	40,350
-	-	61,447
10,583,127	12,569,292	-
830,250	1,340,860	-
11,413,377	13,910,152	61,447
1,053,470	1,635,323	(21,097)
122,295	189,472	1,441
626	328	-
	(198,976)	-
122,921	(9,176)	1,441
1,176,391	1,626,147	(19,656)
29,957	29,957	-
(607,697)	(747,891)	-
(577,740)	(717,934)	-
598,651	908,213	(19,656)
15,706,545	28,095,285	35,343
\$ 16,305,196	\$ 29,003,498	\$ 15,687

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,753,056	\$ 1,373,009
Cash Paid to Suppliers for Goods and Services	(679,678)	(550,249)
Cash Paid to Employees for Services	(448,955)	(427,153)
Net Cash Provided by Operating Activities	<u>624,423</u>	<u>395,607</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(541,536)	(68,896)
Proceeds from Sale of Capital Assets		
Principal Paid on Notes and Bonds	(140,000)	(350,000)
Interest Paid on Notes and Bonds	(26,312)	(157,486)
Net Cash (Used) for Capital and Related Financing Activities	<u>(707,848)</u>	<u>(576,382)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to Other Funds	(71,024)	(69,170)
Transfers from Other Funds		
Due From (To) Other Governments		
Due From (To) Other Funds	(182,668)	
Net Cash (Used) for Non-Capital Financing Activities	<u>(253,692)</u>	<u>(69,170)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investment Securities	1,025,500	419,500
Interest and Dividends on Investments	41,958	38,651
Net Cash Provided for Investing Activities	<u>1,067,458</u>	<u>458,151</u>
Net Increase in Cash and Cash Equivalents	730,341	208,206
Cash and Cash Equivalents at Beginning of Year	-	96,464
Cash and Cash Equivalents at End of Year	<u>\$ 730,341</u>	<u>\$ 304,670</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 12,062,618	\$ 15,188,683	\$ 40,350
(9,773,381)	(11,003,308)	(39,410)
(915,555)	(1,791,663)	-
<u>1,373,682</u>	<u>2,393,712</u>	<u>940</u>
(529,948)	(1,140,380)	-
626	626	-
	(490,000)	-
	(183,798)	-
<u>(529,322)</u>	<u>(1,813,552)</u>	<u>-</u>
(607,697)	(747,891)	-
29,957	29,957	-
(2,259)	(2,259)	-
(79,327)	(261,995)	-
<u>(659,326)</u>	<u>(982,188)</u>	<u>-</u>
2,320,000	3,765,000	-
<u>137,370</u>	<u>217,979</u>	<u>1,441</u>
<u>2,457,370</u>	<u>3,982,979</u>	<u>1,441</u>
2,642,404	3,580,951	2,381
<u>6,357</u>	<u>102,821</u>	<u>17,131</u>
<u>\$ 2,648,761</u>	<u>\$ 3,683,772</u>	<u>\$ 19,512</u>

(Continued)

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>\$ 416,309</u>	<u>\$ 165,544</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	228,846	281,764
(Increase) Decrease in Assets:		
Accounts Receivable	31,466	15,971
Prepaid Expenses	3,625	1,105
Inventories	(3,213)	(2,271)
Increase (Decrease) in Liabilities		
Accounts Payable	(57,532)	(66,841)
Accrued Wages	1,900	966
Other Accruals	974	974
Accrued Compensated Absences	2,048	(1,605)
Customer Deposits		
Claims Incurred But Not Reported		
Total Adjustments	<u>208,114</u>	<u>230,063</u>
Net Cash Provided by Operating Activities	<u><u>\$ 624,423</u></u>	<u><u>\$ 395,607</u></u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Electric</u>		<u>Activities</u>
<u>Utility</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
<u>\$ 1,053,470</u>	<u>\$ 1,635,323</u>	<u>\$ (21,097)</u>
830,250	1,340,860	-
(396,278)	(348,841)	
882	5,612	9,580
(69,605)	(75,089)	
(42,976)	(167,349)	768
2,588	5,454	
2,652	4,600	10,506
650	1,093	
(7,951)	(7,951)	
	-	1,183
<u>320,212</u>	<u>758,389</u>	<u>22,037</u>
<u>\$ 1,373,682</u>	<u>\$ 2,393,712</u>	<u>\$ 940</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINED STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2009

	Totals
ASSETS	
Cash and Cash Equivalents	\$ 23,217
Total Assets	<u>23,217</u>
LIABILITIES	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	23,217
Total Net Assets	<u><u>\$ 23,217</u></u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINED STATEMENT OF CHANGES IN NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2009

	Totals
Additions	
Investment Income	\$ 194
Deductions	
Culture and Recreation	143
Changes in Net Assets	<u>51</u>
Net Assets Beginning of Year	<u>23,166</u>
Net Assets End of Year	<u><u>\$ 23,217</u></u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Webster City, Iowa is a political subdivision of the State of Iowa located in Hamilton County, and was incorporated in 1874, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government with the council members elected on a non-partisan basis and administers the following functions as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water, sewer, and electric utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Webster City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Webster City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

Webster City Airport Commission

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the City. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2009. Separate financial statements are not issued for the Webster City Airport Commission.

Fuller Trust

The government-wide financial statements include the Fuller Trust as a component unit.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public and can provide a financial benefit or burden to the City. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2009. Separate financial statements are not issued for the Fuller Trust.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Hamilton County Assessors' Conference Board, Hamilton County Emergency Management Commission, and Hamilton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's Medical/Flex internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund

Child Care Center – accounts for resources legally restricted to supporting expenditures for the Child Care Center.
- 3) Capital Project Fund

Second Street Reconstruction – accounts for resources and expenditures related to the Second Street reconstruction project.
- 4) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.

The City reports the following major proprietary (enterprise) funds:

The Water Utility is used to account for the operation and maintenance of the City's water system.

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Electric Utility is used to account for the operation and maintenance of the City owned electric system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Medical/Flex

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust
Edgar Foster Trust
Calvary Cemetery Trust

Zella Silvers Trust
Mulberry Church Trust

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds, including the airport discretely presented component unit, are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>City</u>	<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit		Cost

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Custodial Credit Risk – the City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the City's investments to this risk, is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Certificates of Deposit	\$ 9,637,000	\$ 9,637,000

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2008. Any county collections on the 2008-2009 tax levy remitted to the City within 60 days subsequent to June 30, 2009, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2009 and an estimate of services provided through June 30, 2009 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2009, balances of interfund amounts payable or receivable have been

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

recorded as "due to other funds" and "due from other funds", respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Utility Plant	25 – 90 Years
Machinery & Equipment	3 - 30 Years
Infrastructure	20– 100 Years
Land Improvements	50– 100 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of uncollected notes receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, public works, health and social services, community and economic development, capital project functions and business type activities.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2009, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2009, are shown below:

	Primary Government	Private Purpose Trust Fund	Fuller Trust Component Unit	Fair Value
Demand Deposits	\$ 4,742,363	\$ 23,217	\$ 143,430	\$ 4,909,010
Cash on Hand	1,000	-	-	1,000
Time Deposits	9,637,000	-	85,000	9,722,000
	<u>\$ 14,380,363</u>	<u>\$ 23,217</u>	<u>\$ 228,430</u>	<u>\$14,632,010</u>

Fuller Trust – Discretely Presented Component Unit:

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fuller Trust funds do not have custodial credit risk policies for investments.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fuller Trust does not have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Fuller Trust's investments to this risk is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)	
		Less Than 1 Year	1 – 5 Years
Mutual Funds	\$ 2,187,332	\$ 2,187,332	\$ -
Preferred Stocks	104,275	104,275	-
U.S. Gov't. Agencies	74,624	-	74,624
	<u>\$ 2,366,231</u>	<u>\$ 2,291,607</u>	<u>\$ 74,624</u>

Note 3 - RECEIVABLES

Receivables at June 30, 2009 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$84,989 at June 30, 2009.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 3 - RECEIVABLES (Continued)

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as designated fund balance in the fund financial statements.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2009, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Road Use Tax allocation	\$ 58,439
Due from the Iowa Department of Revenue for State and Federal Grant Projects	56,388
Due from the Iowa Department of Revenue for Local Option Sales taxes	123,751
Total Governmental Funds	<u>238,578</u>
Due from Iowa Department of Revenue for State and Federal Grant Projects and Airport Component Unit to Business-type Activities	2,260
	<u>\$ 240,838</u>
Due from Iowa Department of Revenue for State and Federal Grant Projects Airport Component Unit	40,540
	<u>\$ 40,540</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2009, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Electric Fund	Child Care Center	\$ 239,017
Electric Fund	Second Street Reconstruction	1,196,578
Electric Fund	Nonmajor Governmental	481,935
Electric Fund	Debt Service	257,917
Nonmajor Governmental	Child Care Center	350,000
Nonmajor Governmental	Non-Major Governmental	102,288
		<u>\$2,627,735</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,655,663	\$ -	\$ -	\$ 3,655,663
Right of way	907,701	-	-	907,701
Construction in progress	1,423,210	89,944	1,423,210	89,944
Total capital assets not being depreciated	5,986,574	89,944	1,423,210	4,653,308
Capital assets being depreciated:				
Land improvements	1,841,562	240,864	-	2,082,426
Structures and improvements	6,809,835	66,065	-	6,875,900
Machinery and equipment	3,015,311	153,247	38,696	3,129,862
Streets	18,377,858	2,588,426	-	20,966,284
Trails and paths	138,912	-	-	138,912
Sidewalks	477,585	-	-	477,585
Storm sewers	930,714	80,057	-	1,010,771
Bridges	2,017,993	-	-	2,017,993
Dam	200,000	-	-	200,000
Traffic signals	183,657	-	-	183,657
Total capital assets being depreciated	33,993,427	3,128,659	38,696	37,083,390
Less: Accumulated depreciation for				
Land improvements	325,903	38,214	-	364,117
Structures and improvements	2,483,477	179,345	-	2,662,822
Machinery and equipment	1,526,498	168,853	34,638	1,660,713
Streets	8,811,002	348,075	-	9,159,077
Trails and paths	14,719	38,013	-	52,732
Sidewalks	208,333	4,792	-	213,125
Storm sewers	459,360	10,063	-	469,423
Bridges	957,268	26,907	-	984,175
Dam	60,000	6,667	-	66,667
Traffic signals	95,501	7,346	-	102,847
Total Accumulated Depreciation	14,942,061	828,275	34,638	15,735,698
Capital Assets, Net of Depreciation	19,051,366	2,300,384	4,058	21,347,692
Governmental activities capital assets, net	\$ 25,037,940	\$ 2,390,328	\$ 1,427,268	\$ 26,001,000

Construction in progress is related to street projects and airport improvements.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 31,717
Public Safety	67,261
Public Works, which includes the depreciation of infrastructure	508,916
Culture and Recreation	220,381
	<u>828,275</u>
Total governmental activities - depreciation expense	<u>\$ 828,275</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 786,184	\$ -	\$ -	\$ 786,184
Construction in Progress	698,808	80,214	597,777	181,245
Total capital assets not being depreciated	<u>1,484,992</u>	<u>80,214</u>	<u>597,777</u>	<u>967,429</u>
Capital assets being depreciated:				
Buildings and improvements	3,054,765	-	-	3,054,765
Machinery and equipment	1,962,402	382,434	133,657	2,211,179
Utility Plant	50,680,615	1,060,972	-	51,741,587
Total capital assets being depreciated	<u>55,697,782</u>	<u>1,443,406</u>	<u>133,657</u>	<u>57,007,531</u>
Less: Accumulated Depreciation	<u>35,949,459</u>	<u>1,340,860</u>	<u>114,015</u>	<u>37,176,304</u>
Total capital assets being depreciated, net	<u>19,748,323</u>	<u>102,546</u>	<u>19,642</u>	<u>19,831,227</u>
Business-type activities capital assets, net	<u>\$ 21,233,315</u>	<u>\$ 182,760</u>	<u>\$ 617,419</u>	<u>\$ 20,798,656</u>

Construction in progress at June 30, 2009 consisted of costs associated with the water and electric system improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Water	\$ 228,846
Sewer	281,764
Electric	830,250
	<u>1,340,860</u>
Total depreciation expense – business-type activities	<u>\$ 1,340,860</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit:				
Capital assets being depreciated:				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Total capital assets being depreciated	42,000	-	-	42,000
Less: Accumulated Depreciation	7,140	840	-	7,980
Total capital assets being depreciated, net	\$ 34,860	\$ (840)	\$ -	\$ 34,020

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities	Fuller Trust Component Unit
Land	\$ 4,563,364	\$ 786,184	\$ -
Construction in Progress	89,944	181,245	-
Capital Assets (net of accumulated depreciation)	21,347,692	19,831,227	34,020
Unamortized Loss on Refunding	-	26,145	-
Less: General Obligation Bonds Payable	(3,310,000)	(365,000)	-
Revenue Bonds	(2,186,917)	(3,682,000)	-
Invested in Capital Assets, Net of Related Debt	\$ 20,504,083	\$ 16,777,801	\$ 34,020

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 7 - LONG-TERM DEBT (Continued)

General obligation bonds outstanding as of June 30, 2009 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/09	Due Within One Year
Governmental Activities						
General Obligation Debt						
Corporate purpose bonds	01/01/02	06/01/17	2.55 – 5.00%	\$ 1,010,000	65,000	65,000
Corporate purpose bonds	07/01/03	06/01/18	1.25 – 3.80%	1,125,000	765,000	70,000
Corporate purpose bonds	11/01/03	06/01/10	1.50 – 3.00%	1,115,000	195,000	195,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 – 3.95%	1,280,000	955,000	120,000
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	1,330,000	1,330,000	155,000
Total Governmental Activities – General Obligation Debt					<u>\$ 3,310,000</u>	<u>\$ 605,000</u>
Business-Type Activities						
General Obligation Debt						
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	\$ 365,000	<u>\$ 365,000</u>	<u>\$ 55,000</u>

Advance Refunding

On November 1, 2008, the City issued \$1,695,000 of General Obligation Bonds, Series 2009, with an average interest rate of 2.125%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.2% to 3.05% with annual maturities from June, 2010 through June 2017.

The net proceeds of \$1,655,275 (after issuance costs of \$39,725) were used to advance refund various series of bonds with a total principal amount of \$1,695,000 and an average interest rate of 4.02%.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$101,000.

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 605,000	\$ 132,382	\$ 55,000	\$ 11,552
2011	430,000	82,350	55,000	6,275
2012	440,000	71,887	60,000	5,706
2013	455,000	60,096	60,000	4,526
2014	375,000	45,494	65,000	5,016
2015-2018	1,005,000	70,177	70,000	3,531
Total	<u>\$ 3,310,000</u>	<u>\$ 462,386</u>	<u>\$ 365,000</u>	<u>\$ 36,606</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 7 - LONG-TERM DEBT (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities.

Revenue bonds outstanding at June 30, 2009 are as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/09</u>	<u>Due Within One Year</u>
Governmental Activities						
Revenue Debt:						
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	<u>\$ 2,186,917</u>	<u>\$ -</u>
Business-Type Activities						
Revenue Debt:						
<u>Sewer Utility</u>						
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	2,507,000	187,000
Revenue bonds	01/10/06	06/01/15	3.30 – 4.10%	1,815,000	<u>1,175,000</u>	<u>175,000</u>
Total Sewer Utility					<u>\$ 3,682,000</u>	<u>\$ 362,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 362,000	\$ 144,309
2011	379,000	130,504
2012	392,000	115,869
2013	409,000	100,540
2014	423,000	84,448
2015-2019	1,443,000	210,272
2020-2024	<u>274,000</u>	<u>10,741</u>
Total	<u>\$ 3,682,000</u>	<u>\$ 796,683</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2009.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 7 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 3,830,000	\$ 1,330,000	\$ 1,850,000	\$ 3,310,000	\$ 605,000
Revenue Bonds	2,216,411	-	29,494	2,186,917	-
Compensated Absences	264,670	267,243	264,670	267,243	128,871
Governmental Activity Long-Term Liabilities	<u>\$ 6,311,081</u>	<u>\$ 1,597,243</u>	<u>\$ 2,144,164</u>	<u>\$ 5,764,160</u>	<u>\$ 733,871</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation	\$ 415,000	\$ 365,000	\$ 415,000	\$ 365,000	\$ 55,000
Revenue Bonds	4,122,000	-	440,000	3,682,000	362,000
Compensated Absences	179,383	180,476	179,383	180,476	91,328
Business-Type Activity Long-Term Liabilities	<u>\$ 4,716,383</u>	<u>\$ 545,476</u>	<u>\$ 1,034,383</u>	<u>\$ 4,227,476</u>	<u>\$ 508,328</u>

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	2 nd Street Reconstruction	Electric	Non Major Governmental	Total Transfer Out
Electric	\$ 607,697	\$ -	\$ -	\$ -	\$ 607,697
Water	71,024	-	-	-	71,024
Sewer	69,170	-	-	-	69,170
Child Care Center	-	-	18,000	-	18,000
Nonmajor Governmental	73,996	227,507	11,957	843,693	1,157,153
Total Transfer In	<u>\$ 821,887</u>	<u>\$ 227,507</u>	<u>\$ 29,957</u>	<u>\$ 843,693</u>	<u>\$ 1,923,044</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10 percent of their annual covered salary and the City is required to contribute 6.35 percent of annual covered payroll except for, fire employees, in which case, the percentages are actuarially determined, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$156,939, \$142,324, and \$133,631, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate cannot be less than 18.75% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2009, 2008 and 2007 were \$216,665, \$195,134, and \$205,838, respectively, which met the required minimum contribution for each year.

Employee Vision and Dental Plan - The City of Webster City Medical/Flex Insurance Fund was established to account for the City's medical and flex benefit plan. Effective September, 1995, the City has entered into an administrative services agreements with Select Benefit Administrators, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Three Rivers Benefit Corporation and Select Benefit Administrators from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The City has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 9- PENSION AND RETIREMENT (Continued)

All funds of the City participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability

	Prior Year	Current Year
Unpaid claims, beginning of fiscal year	\$ 4,832	\$ 1,783
Current year claims and changes in estimates	35,221	30,520
Claim payments	(38,270)	(29,337)
Unpaid claims, end of year	<u>\$ 1,783</u>	<u>\$ 2,966</u>

Note 10 - DEFICIT FUND EQUITY

The City has seven funds with deficit equity balances at June 30, 2009. The City intends to finance these deficits from various resources including; TIF Receipts, fund transfers, and note payments.

The individual fund deficits were as follows:

Child Care Center	\$ 589,017
Second Street Reconstruction	1,196,578
Annual Street Maintenance	7,670
Superior Fairmeadow Traffic Signal	22,077
Boone River Trail.....	44,837
Southwest TIF	398,008
Southeast TIF	76,156

Note 11- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note 12- COMMITMENTS

During the year ended June 30, 2009, the City had entered into several construction contracts totaling approximately \$1,315,699 of which approximately \$110,000 has been expended to date. The remaining balance will be paid as work progresses.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 13 - CONTINGENCY

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the City. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the City agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1, and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the City, but shall be paid solely and only from incremental property taxes received by the City from the Hamilton County Treasurer which are attributable to each individual project.

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the City of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the City, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The medical/prescription drug coverage is provided through a fully-insured plan with Principal Financial Group. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,709
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	14,709
Contributions made	-
	<hr/>
Increase in net OPEB obligation	14,709
Net OPEB obligation beginning of year	-
	<hr/>
Net OPEB obligation end of year	<u>\$ 14,709</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 14,709	0%	\$ 14,709

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$154,918, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,918. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,925,000 and the ratio of the UAAL to covered payroll was 5.2%. As of June 30, 2009, there were no trust fund assets.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2009

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is a pay as you go plan implemented this year therefore there is no schedule of funding progress presented.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$626 per month for retirees less than age 65 and \$360 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 15 PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2008, \$57,362 of general government construction in progress was inadvertently omitted from the government wide statement of net assets, thus understating net assets invested in capital assets net of related debt by \$57,362.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**

**Governmental Funds and Proprietary Funds
For the Year Ended June 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 4,791,472	\$ -
Special Assessments	1,304	-
Licenses and Permits	192,681	-
Intergovernmental Revenue	1,413,044	-
Charges for Services	463,534	15,188,683
Revenue from Use of Property	343,363	217,979
Miscellaneous	306,192	-
Total Revenue	<u>7,511,590</u>	<u>15,406,662</u>
Expenditures:		
Public Safety	1,867,375	-
Public Works	1,662,595	-
Health and Social Services	68,574	-
Culture and Recreation	1,117,394	-
Community and Economic Development	583,417	-
General Government	252,360	-
Capital Projects	2,007,859	-
Debt Service	596,745	-
Business-Type Activities	-	14,611,409
Total Expenditures	<u>8,156,319</u>	<u>14,611,409</u>
Excess (deficiency) of revenues over expenditures	<u>(644,729)</u>	<u>795,253</u>
Other financing sources (uses):		
Proceeds from Debt Financing	1,330,000	-
Payments on Refunded Bonds	(1,330,000)	-
Proceeds from Sale of Capital Assets	-	626
Transfers In	1,893,087	29,957
Transfers Out	(1,175,153)	(747,891)
Total other financing sources (uses)	<u>717,934</u>	<u>(717,308)</u>
Net Change in Fund Balance	73,205	77,945
Balances - beginning of year	3,830,452	11,016,274
Balances - end of year	<u>\$ 3,903,657</u>	<u>\$ 11,094,219</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 4,791,472	\$ 4,587,065	\$ 4,722,622	\$ 68,850
1,304	1,304	1,304	-
192,681	44,117	114,617	78,064
1,413,044	1,324,253	1,379,078	33,966
15,652,217	16,492,335	16,655,335	(1,003,118)
561,342	1,282,489	547,344	13,998
306,192	340,010	1,051,609	(745,417)
<u>22,918,252</u>	<u>24,071,573</u>	<u>24,471,909</u>	<u>(1,553,657)</u>
1,867,375	1,878,568	1,878,568	11,193
1,662,595	1,240,928	1,524,204	(138,391)
68,574	61,320	61,320	(7,254)
1,117,394	1,062,174	1,106,741	(10,653)
583,417	485,866	561,617	(21,800)
252,360	381,636	370,254	117,894
2,007,859	638,250	1,567,581	(440,278)
596,745	880,113	1,251,491	654,746
14,611,409	16,032,554	14,528,993	(82,416)
<u>22,767,728</u>	<u>22,661,409</u>	<u>22,850,769</u>	<u>83,041</u>
<u>150,524</u>	<u>1,410,164</u>	<u>1,621,140</u>	<u>(1,470,616)</u>
1,330,000	-	-	1,330,000
(1,330,000)	-	-	(1,330,000)
626	-	-	626
1,923,044	3,758,202	3,567,357	(1,644,313)
(1,923,044)	(3,758,202)	(3,567,357)	1,644,313
<u>626</u>	<u>-</u>	<u>-</u>	<u>626</u>
151,150	1,410,164	1,621,140	(1,469,990)
14,846,726	14,846,726	14,846,726	-
<u>\$ 14,997,876</u>	<u>\$ 16,256,890</u>	<u>\$ 16,467,866</u>	<u>\$ (1,469,990)</u>

CITY OF WEBSTER CITY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the Year Ended June 30, 2009

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenue:			
Taxes	\$ 4,791,472	\$ (88,722)	\$ 4,702,750
Special Assessments	1,304	-	1,304
Licenses and Permits	192,681	-	192,681
Intergovernmental Revenue	1,413,044	(376,352)	1,036,692
Charges for Services	15,652,217	359,525	16,011,742
Fines and Forfeits	-	8,817	8,817
Contributions	-	7,533	7,533
Refunds/Reimbursements	-	171,463	171,463
Revenue from Use of Property	561,342	(108,790)	452,552
Miscellaneous	306,192	(182,000)	124,192
Total Revenue	<u>22,918,252</u>	<u>(208,526)</u>	<u>22,709,726</u>
Expenditures/Expenses:			
Public Safety	1,867,375	(102,526)	1,764,849
Public Works	1,662,595	(340,585)	1,322,010
Health and Social Services	68,574	(35,104)	33,470
Culture and Recreation	1,117,394	13,060	1,130,454
Community and Economic Development	583,417	(20,713)	562,704
General Government	252,360	(59,325)	193,035
Capital Projects	2,007,859	(355,395)	1,652,464
Debt Service	1,926,745	257,917	2,184,662
Business-Type Activities	14,611,409	(502,281)	14,109,128
Total Expenditures/Expenses	<u>24,097,728</u>	<u>(1,144,952)</u>	<u>22,952,776</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(1,179,476)</u>	<u>936,426</u>	<u>(243,050)</u>
Other financing sources (uses):			
Proceeds from Debt Financing	1,330,000	-	1,330,000
Proceeds from Sale of Capital Assets	626	(298)	328
Transfers In	1,923,044	-	1,923,044
Transfers Out	(1,923,044)	-	(1,923,044)
Total other financing sources (uses)	<u>1,330,626</u>	<u>(298)</u>	<u>1,330,328</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	<u>151,150</u>	<u>936,128</u>	<u>1,087,278</u>
Fund Balance/Retained Earnings - beginning of year	<u>15,104,643</u>	<u>16,210,242</u>	<u>31,314,885</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 15,255,793</u>	<u>\$ 33,356,612</u>	<u>\$ 32,402,163</u>

CITY OF WEBSTER CITY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. During the year one budget amendment was adopted decreasing budgeted disbursements by \$1,485.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, Capital Projects, and Business-type Activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2009

	Special Revenue Funds		
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance
Assets			
Cash and Cash Equivalents	\$ 95,562	\$ 17,846	\$ 51,190
Investments	50,000	75,000	150,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	2,222	912	4,675
Subsequent Year Taxes	178,907	75,590	347,543
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Total Assets	326,691	169,348	553,408
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	-
Accrued Wages	-	-	-
Other Accrued Expenses	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	178,907	75,590	347,543
Deferred Revenue	-	-	-
Total Liabilities	178,907	75,590	347,543
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Inventories	-	-	-
Unreserved	147,784	93,758	205,865
Total Fund Balances	147,784	93,758	205,865
Total Liabilities and Equity	\$ 326,691	\$ 169,348	\$ 553,408

Special Revenue Funds							
Unemployment Compensation	Road Use Tax	Police/Fire Retirement	DARE	Siezed Property	K9 Trust	Economic Development Loan	
\$ 21,323	\$ 341,985	\$ 54,790	\$ 2,627	\$ 2,863	\$ 74	\$ 752,053	
-	127,000	-	-	-	-	300,000	
211	-	1,963	-	-	-	-	-
16,834	-	137,297	-	-	-	-	-
-	-	-	-	-	-	1,410	-
-	-	-	-	-	-	140,084	-
-	-	-	-	-	-	101,376	-
-	58,439	-	-	-	-	-	-
-	42,855	-	-	-	-	-	-
38,368	570,279	194,050	2,627	2,863	74	1,294,923	
-	50,540	-	287	-	-	-	-
-	6,565	-	-	-	-	-	-
-	181	-	-	-	-	-	-
-	-	-	-	-	-	912	-
16,834	-	137,297	-	-	-	-	-
-	-	317	-	-	-	140,084	-
16,834	57,286	137,614	287	-	-	140,996	
-	-	-	-	-	-	-	-
-	42,855	-	-	-	-	-	-
21,534	470,138	56,436	2,340	2,863	74	1,153,927	
21,534	512,993	56,436	2,340	2,863	74	1,153,927	
\$ 38,368	\$ 570,279	\$ 194,050	\$ 2,627	\$ 2,863	\$ 74	\$ 1,294,923	

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2009

	Special Revenue Funds		
	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview
Assets			
Cash and Pooled Investments	\$ 48,192	\$ -	\$ 1,607
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	-	-	-
Subsequent Year Taxes	-	16,552	231,527
Accrued Interest	177	-	-
Notes Receivable	92,293	-	-
Due from Other Funds	912	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Total Assets	141,574	16,552	233,134
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	4,109	-	-
Accrued Wages	-	-	-
Other Accrued Expenses	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	16,552	231,527
Deferred Revenue	92,293	-	-
Total Liabilities	96,402	16,552	231,527
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Inventories	-	-	-
Unreserved	45,172	-	1,607
Total Fund Balances	45,172	-	1,607
Total Liabilities and Equity	\$ 141,574	\$ 16,552	\$ 233,134

Special Revenue Funds				
Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second
\$ -	\$ 64,179	\$ 13,847	\$ -	\$ 44,515
-	-	-	-	-
48,701	-	8,866	46,099	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
48,701	64,179	22,713	46,099	44,515
-	-	-	-	588
-	-	-	-	-
-	-	-	-	-
48,701	-	8,866	46,099	-
-	-	-	-	-
48,701	-	8,866	46,099	588
-	-	-	-	-
-	-	-	-	-
-	64,179	13,847	-	43,927
-	64,179	13,847	-	43,927
\$ 48,701	\$ 64,179	\$ 22,713	\$ 46,099	\$ 44,515

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2009

	Special Revenue Funds		
	Urban Renewal	Urban Renewal	Urban Renewal
	TIF Vantec	TIF Southeast	TIF Southwest
Assets			
Cash and Pooled Investments	\$ -	\$ 25,220	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	-	-	-
Subsequent Year Taxes	1,589	1,143	12,591
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Total Assets	<u>1,589</u>	<u>26,363</u>	<u>12,591</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	-
Accrued Wages	-	-	-
Other Accrued Expenses	-	-	-
Due to Other Funds	-	101,376	398,008
Deferred Revenue - Subsequent Year Taxes	1,589	1,143	12,591
Deferred Revenue	-	-	-
Total Liabilities	<u>1,589</u>	<u>102,519</u>	<u>410,599</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Inventories	-	-	-
Unreserved	-	(76,156)	(398,008)
Total Fund Balances	<u>-</u>	<u>(76,156)</u>	<u>(398,008)</u>
Total Liabilities and Equity	<u>\$ 1,589</u>	<u>\$ 26,363</u>	<u>\$ 12,591</u>

Special Revenue Funds				Capital Project Funds		
Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride	Brewer Creek Estates	Boone River Trail	Wilson Ave Bridge Improvements	
\$ -	\$ 846	\$ 2,600	\$ 22,622	\$ -	\$ 7,245	
-	-	-	-	-	-	
-	-	-	-	-	-	
60,409	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	39,090	-	
-	-	-	-	-	-	
60,409	846	2,600	22,622	39,090	7,245	
-	-	-	-	-	1,042	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	83,927	-	
60,409	-	-	-	-	-	
-	-	-	-	-	-	
60,409	-	-	-	83,927	1,042	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	846	2,600	22,622	(44,837)	6,203	
-	846	2,600	22,622	(44,837)	6,203	
\$ 60,409	\$ 846	\$ 2,600	\$ 22,622	\$ 39,090	\$ 7,245	

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2009

	Capital Project Funds		
	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal
Assets			
Cash and Pooled Investments	\$ 70,050	\$ -	\$ 470
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Total Assets	70,050	-	470
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	15,787	7,670	22,547
Accrued Wages	-	-	-
Other Accrued Expenses	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	15,787	7,670	22,547
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Inventories	-	-	-
Unreserved	54,263	(7,670)	(22,077)
Total Fund Balances	54,263	(7,670)	(22,077)
Total Liabilities and Equity	\$ 70,050	\$ -	\$ 470

Capital Project Funds			Permanent	Total
Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ 478,182	\$ 149	\$ 3,434	\$ 395,215	\$ 2,518,686
-	-	-	-	702,000
-	-	-	-	9,983
-	-	-	-	1,183,648
-	-	-	-	1,587
-	-	-	-	232,377
350,000	-	-	-	452,288
141,049	-	-	-	238,578
-	-	-	-	42,855
969,231	149	3,434	395,215	5,382,002
8,268	-	-	-	110,838
-	-	-	-	6,565
-	-	-	-	181
-	-	-	-	584,223
-	-	-	-	1,183,648
-	-	-	-	232,694
8,268	-	-	-	2,118,149
-	-	-	395,215	395,215
-	-	-	-	42,855
960,963	149	3,434	-	2,825,783
960,963	149	3,434	395,215	3,263,853
\$ 969,231	\$ 149	\$ 3,434	\$ 395,215	\$ 5,382,002

CITY OF WEBSTER CITY, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Nonmajor Funds

For the Year Ended June 30, 2009

	Special Revenue Funds		
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance
Revenue:			
Taxes	\$ 169,397	\$ 69,263	\$ 355,378
Intergovernmental Revenue	-	-	-
Contributions	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	169,397	69,263	355,378
Expenditures:			
Public Safety	40,985	46,048	177,928
Public Works	45,669	14,699	50,224
Culture and Recreation	62,970	13,696	65,879
Community and Economic Development	11,656	1,139	16,351
General Government	8,008	237	21,422
Capital Projects	-	-	-
Total Expenditures	169,288	75,819	331,804
Excess (deficiency) of revenues over expenditures	109	(6,556)	23,574
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	109	(6,556)	23,574
Fund balances (deficits) -beginning of year	147,675	100,314	182,291
Fund balances (deficits) - end of year	\$ 147,784	\$ 93,758	\$ 205,865

Special Revenue Funds							
Unemployment Compensation	Road Use Tax	Police/Fire Retirement	DARE	Siezed Property	K9 Trust	Economic Development Loan	
\$ 16,031	\$ -	\$ 148,284	\$ -	\$ -	\$ -	\$ -	
-	708,539	-	-	-	-	-	
-	-	-	5,885	-	-	-	
-	-	247	-	-	-	13,691	
-	-	-	-	2,100	-	31,777	
16,031	708,539	148,531	5,885	2,100	-	45,468	
1,484	-	148,702	3,724	-	-	-	
464	441,385	-	-	-	-	-	
737	-	-	-	-	-	-	
125	-	-	-	-	-	53,077	
75	-	-	-	-	-	-	
-	-	-	-	-	-	-	
2,885	441,385	148,702	3,724	-	-	53,077	
13,146	267,154	(171)	2,161	2,100	-	(7,609)	
-	-	-	-	-	-	121,281	
-	(123,996)	-	-	-	-	-	
-	(123,996)	-	-	-	-	121,281	
13,146	143,158	(171)	2,161	2,100	-	113,672	
8,388	369,835	56,607	179	763	74	1,040,255	
\$ 21,534	\$ 512,993	\$ 56,436	\$ 2,340	\$ 2,863	\$ 74	\$ 1,153,927	

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2009

	Special Revenue Funds		
	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview
Revenue:			
Taxes	\$ -	\$ 16,033	\$ 231,169
Intergovernmental Revenue	-	-	-
Contributions	-	-	-
Interest	1,607	-	-
Miscellaneous	10,801	-	-
Total Revenue	12,408	16,033	231,169
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	44,364	10,531	-
General Government	-	-	-
Capital Projects	-	-	-
Total Expenditures	44,364	10,531	-
Excess (deficiency) of revenues over expenditures	(31,956)	5,502	231,169
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	(5,502)	(230,586)
Total other financing sources (uses)	-	(5,502)	(230,586)
Net Change in Fund Balance	(31,956)	-	583
Fund balances (deficits) -beginning of year	77,128	-	1,024
Fund balances (deficits) - end of year	\$ 45,172	\$ -	\$ 1,607

Special Revenue Funds					
Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second	
\$ 48,525	\$ -	\$ 9,769	\$ 44,530	\$ -	
-	-	-	-	-	
-	-	-	-	-	
-	373	-	-	-	
-	-	-	-	-	
48,525	373	9,769	44,530	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
48,525	-	17,427	28,983	18,258	
-	-	-	-	-	
-	-	-	-	-	
48,525	-	17,427	28,983	18,258	
-	373	(7,658)	15,547	(18,258)	
-	-	3,079	-	-	
-	-	-	(15,547)	-	
-	-	3,079	(15,547)	-	
-	373	(4,579)	-	(18,258)	
-	63,806	18,426	-	62,185	
\$ -	\$ 64,179	\$ 13,847	\$ -	\$ 43,927	

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2009

	Special Revenue Funds		
	Urban Renewal	Urban Renewal	Urban Renewal
	TIF Vantec	TIF Southeast	TIF Southwest
Revenue:			
Taxes	\$ 148,491	\$ 99,088	\$ 11,957
Intergovernmental Revenue	-	-	-
Contributions	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	148,491	99,088	11,957
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	148,491	-	-
General Government	-	-	-
Capital Projects	-	-	-
Total Expenditures	148,491	-	-
Excess (deficiency) of revenues over expenditures	-	99,088	11,957
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	(100,232)	(11,957)
Total other financing sources (uses)	-	(100,232)	(11,957)
Net Change in Fund Balance	-	(1,144)	-
Fund balances (deficits) -beginning of year	-	(75,012)	(398,008)
Fund balances (deficits) - end of year	\$ -	\$ (76,156)	\$ (398,008)

Special Revenue Funds			Capital Project Funds		
Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride	Brewer Creek Estates	Boone River Trail	Wilson Ave Bridge Improvements
\$ 60,246	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	168,356	-
-	450	1,198	-	-	-
-	-	-	-	-	-
-	-	16,772	-	-	-
60,246	450	17,970	-	168,356	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	31,178	-	-	-
60,246	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	476,746	9,014
60,246	-	31,178	-	476,746	9,014
-	450	(13,208)	-	(308,390)	(9,014)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	450	(13,208)	-	(308,390)	(9,014)
-	396	15,808	22,622	263,553	15,217
\$ -	\$ 846	\$ 2,600	\$ 22,622	\$ (44,837)	\$ 6,203

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2009

	Capital Project Funds		
	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Contributions	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	-	-	-
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	56,413	802,508	35,128
Total Expenditures	56,413	802,508	35,128
Excess (deficiency) of revenues over expenditures	(56,413)	(802,508)	(35,128)
Other financing sources (uses):			
Transfers In	50,000	656,282	13,051
Transfers Out	-	-	-
Total other financing sources (uses)	50,000	656,282	13,051
Net Change in Fund Balance	(6,413)	(146,226)	(22,077)
Fund balances (deficits) -beginning of year	60,676	138,556	-
Fund balances (deficits) - end of year	\$ 54,263	\$ (7,670)	\$ (22,077)

Capital Project Funds			Permanent	Total
Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ 848,260	\$ -	\$ -	\$ -	\$ 2,276,421
-	-	-	-	876,895
-	-	-	-	7,533
1,287	-	-	-	17,205
-	-	-	2,085	63,535
849,547	-	-	2,085	3,241,589
-	-	-	-	418,871
-	-	-	-	552,441
-	-	396	-	174,856
-	-	-	-	459,173
-	-	-	-	29,742
255,228	-	-	-	1,635,037
255,228	-	396	-	3,270,120
594,319	-	(396)	2,085	(28,531)
-	-	-	-	843,693
(669,333)	-	-	-	(1,157,153)
(669,333)	-	-	-	(313,460)
(75,014)	-	(396)	2,085	(341,991)
1,035,977	149	3,830	393,130	3,605,844
\$ 960,963	\$ 149	\$ 3,434	\$ 395,215	\$ 3,263,853

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2009

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Sillers Trust	Mulberry Church Trust	Totals
ASSETS						
Cash and Cash Equivalents	\$ 1,900	\$ 2,189	\$ 5,000	\$ 3,178	\$ 10,950	\$23,217
Total Assets	1,900	2,189	5,000	3,178	10,950	23,217
LIABILITIES						
	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
NET ASSETS						
Unrestricted	1,900	2,189	5,000	3,178	10,950	23,217
Total Net Assets	<u>\$ 1,900</u>	<u>\$ 2,189</u>	<u>\$ 5,000</u>	<u>\$ 3,178</u>	<u>\$ 10,950</u>	<u>\$23,217</u>

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2009

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
Additions						
Investment Income	\$ 14	\$ 18	\$ 46	\$ 28	\$ 88	\$ 194
Deductions						
Culture and Recreation	24	23	72	24	-	143
Changes in Net Assets	(10)	(5)	(26)	4	88	51
Net Assets Beginning of Year	1,910	2,194	5,026	3,174	10,862	23,166
Net Assets End of Year	<u>\$ 1,900</u>	<u>\$ 2,189</u>	<u>\$ 5,000</u>	<u>\$ 3,178</u>	<u>\$ 10,950</u>	<u>\$ 23,217</u>

CITY OF WEBSTER CITY, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended June 30, 2009

	CFDA Number	Agency or Pass-Through Number	Program Disburse- ments
Direct:			
DEPARTMENT OF HOMELAND SECURITY:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		\$ 244,125
Indirect:			
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STE-E8212(613)-8V-40	285,154 *
Airport Improvement Program	20.106	3-19-0097-07-2007	31,937
		3-19-0097-04-2006	1,538
		3-19-0097-04-2009	9,504
		3-19-0097-08	122,987
			<u>165,966 *</u>
Total Expenditures of Federal Awards			<u>\$ 695,245</u>

* Total expenditures from these programs exceed 50% for the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Webster City and is presented on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF WEBSTER CITY, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which is also considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA #20.205 – Highway Planning and Construction
 - CFDA #20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Webster City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-09 Financial Reporting

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables and payables.

Conclusion – Response accepted.

CITY OF WEBSTER CITY, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements – Continued):

II-B-09 Airport Purchasing

Observation – The airport Board does not utilize the same purchasing processes as the rest of the City. Primarily the airport does not utilize the City's purchase order system.

Recommendation – The City should require that the airport utilize the purchase order system to assist in accurately recording airport disbursements.

Response – The City will discuss this with the airport and implement appropriate procedures.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

III-A-09 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, and payables not recorded in the City's financial statements as well as adjustments to the Schedule of Expenditure of Federal Awards. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements and that the Schedule of Expenditure of Federal Awards is properly completed.

Response – We will double check these in the future to avoid any missing receivables payables and insure the Schedule of Expenditure of Federal Awards is prepared accurately.

Conclusion – Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-09 - Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the culture and recreation, public works, health and social services, community and economic development, capital projects and business type activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

CITY OF WEBSTER CITY, IOWA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting – (Continued):

- IV-B-09 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- IV-C-09 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-09 - Business Transactions – There were no business transactions between the City and City officials identified during the audit.
- IV-E-09 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- IV-G-09 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- IV-H-09 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF WEBSTER CITY, IOWA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

III-A-08 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Current Status – This finding still exists at June 30, 30, 2009. (See Comment III-A-09).

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units and the aggregate remaining fund information of the CITY OF WEBSTER CITY, IOWA as of and for the year ended June 30, 2009, which collectively comprise the City of Webster City, Iowa's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-09 and II-B-09 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that

might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiencies described above, items II-A-09 and II-B-09, we believe to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and Members of the
City Council
Webster City, Iowa

Compliance

We have audited the compliance of the City of Webster City, Iowa (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency noted above and on the schedule of findings and questioned costs is considered a material weakness.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2009

City of Webster City

400 SECOND STREET • P.O. BOX 217 • WEBSTER CITY, IOWA 50595-0217 • FAX (515) 832-9153



Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2009

Department of Transportation:

The City of Webster City, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2009.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2009.

The finding from the June 30, 2009 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

III-A-09 Financial Reporting

Significant Deficiency:

Observation - During the audit, we identified material amounts of receivables, and payables not recorded in the City's financial statements as well as adjustments to the Schedule of Expenditure of Federal Awards. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements and that the Schedule of Expenditure of Federal Awards is properly completed.

Response - We will double check these in the future to avoid any missing receivables, payables the Schedule of Expenditure of Federal Awards.

If the Department of Transportation has questioned regarding this plan, please call Ed Sadler at the City of Webster City, Iowa.

Sincerely yours,

CITY OF WEBSTER CITY, IOWA

Ed Sadler, City Manager